



INFORMATION

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Consultation on regulating conditional discounting

AEMC invites submissions on consultation paper

The Australian Energy Market Commission has commenced consultation on a rule change request submitted by the Honourable Angus Taylor, Minister for Energy & Emissions Reduction, on behalf of the Australian Government. The rule change request seeks to regulate conditional discounting practices by energy retailers. Stakeholders are invited to make written submissions **by 5pm, 19 September 2019**.

Overview of the rule change request

Conditional discounts are generally considered to be energy contracts where customers receive lower prices when certain payment condition(s) are fulfilled by the customer during the term of a contract. The most common types of conditional discounts are pay-on-time and direct debit.

The rule change request proposes that the level of conditional discounts for gas and electricity retail offers be restricted to the "reasonable cost savings" that a retailer expects to make if a customer satisfies the conditions of the discount. The proponent's key objectives are to remove what they consider to be excessive penalties for customers (particularly vulnerable customers) which do not meet discount conditions, and to improve the comparability of market offers by reducing the magnitude of conditional discounts.

Background

The introduction of the Default Market Offer through the Electricity Retail Code of Conduct (the Code) on 1 July 2019 restricts both the magnitude and advertisement of energy offers with conditional discounts. This is likely to have a significant impact on the prominence and level of conditional discounting in the retail market and may influence the materiality of the issues identified in the rule change request. However, the Code does not apply to electricity in Tasmania or the ACT, or to gas offers generally.

Issues for consideration

The rule change request raises a range of issues that are further explained in the consultation paper. Stakeholders are invited to comment on these issues, which include:

- Whether large conditional discounts cause comparability and penalty issues for customers. The magnitude of these issues, particularly with the introduction of the Code. The magnitude of these issues for gas offers and electricity offers in the ACT and Tasmania where the Code does not apply.
- The impacts of these issues on particular groups of customers (e.g. hardship customers) and the mechanisms retailers have in place to manage such issues.
- How late payment risks should be allocated between customers and retailers.
- Implementation issues: for example if a reasonable cost restriction was to be made, whether reasonable cost estimates should be provided through an AER guideline or through a retailer estimate.

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